



Testimony
Betsy Gara, Executive Director
Connecticut Council of Small Towns
Before the Education Committee
March 19, 2015

RE: SUPPORT - HB-7019, AN ACT CONCERNING THE MINIMUM BUDGET REQUIREMENT

The Connecticut Council of Small Towns (COST) strongly supports **HB-7019**, which would provide towns with more flexibility under the state's Minimum Budget Requirement (MBR) mandate to reduce education funding to reflect savings associated with declining enrollment.

Connecticut's small towns and cities are committed to providing high quality education for their students. Unfortunately, continued years of underfunding the Education Cost Sharing (ECS) grant and special education costs and flat funding of many other categories of municipal aid are putting considerable strain on local budgets.

It is widely acknowledged that the ECS grant is underfunded by an estimated \$763 million – and growing – per year. Moreover, based on the existing reimbursement rate and funding caps, municipalities must shoulder more than 60% of special education costs, which are increasing by an estimated 5 – 6% each year. As a result, between 70% - 80% of the municipal budgets of Connecticut's small towns are allocated to fund public education.

To address escalating costs and flat funding of municipal aid without jeopardizing the quality of education, many school districts are aggressively pursuing cost saving measures, such as negotiating savings in insurance, participating in consortiums to purchase oil and gas, revamping bus routes to reduce transportation costs, and utilizing technology to reduce paper and printing costs. School districts are also exploring options to reduce costs by consolidating programs with neighboring communities, and through shared services agreements regarding building and grounds maintenance and information technology support.

Unfortunately, under MBR, school districts must budget at least the same amount for education as they did in the prior fiscal year, except under certain limited circumstances. Towns that fall below the MBR face stiff forfeiture penalties of two times the budget



shortfall, which can have a devastating impact on local budgets. This also undermines efforts of towns and school districts to achieve cost savings and reduce the burden on property taxpayers.

Now, a number of towns are seeing steep declines in student enrollment, a trend which is expected to increase in upcoming years, according to state projections. For example, the University of Connecticut's State Data Center estimates that "the population of children between the ages of 5 and 19 in New London County will decrease by approximately 10 percent by 2025, which matches a projected statewide decline."

Towns with declining enrollment should be able to significantly reduce the size of their education budgets because oftentimes classrooms can be consolidated and staffing levels can be adjusted without undermining education quality. Unfortunately, even where enrollment has declined, relief from the MBR mandate is limited. Towns may only budget \$3000 less per student, capped at 0.5% of the prior year's budget.

The MBR mandate is holding town budgets hostage, imposing a tremendous burden on property taxpayers to fund unnecessary levels of education spending. Towns need more flexibility to ensure that education budgets can be adjusted to reflect declining enrollment and other areas where savings can be achieved.

COST therefore urges lawmakers to **support HB-7019**, which will increase the savings towns with declining enrollment can achieve from \$3000 per student to 50% of the town's per student costs, capped at 3% rather than .5% of the prior year's budget. This change will allow towns to craft budgets that better reflect the actual cost of educating fewer students.

Providing towns with meaningful relief from the MBR mandate will go a long way toward helping towns control the growth of local budgets to ease the burden on property taxpayers.